This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS HARARE 000016

SIPDIS

SENSITIVE

DEPT FOR AF/S, AF/EPS W. ALBRIGHT,
EB/TPP/MTA/MST KIM BARR, L/CID MARY MITCHELL
DEPT PLS PASS USTR C. HAMILTON, R. WHITAKER, S. FALKEN
COMMERCE/ITA G. FELDMAN, F. HOWELL
COMMERCE 2037 DIEMOND
LABOR JIM SHEA, BETTY WHITE
TREASURY E. BARBER AND C. WILKENSON

¶E. O. 12958: N/A
TAGS: ETRD ECON ELAB ZI
SUBJECT: Update on Expropriation of U.S. Assets

Ref: a) 02 Harare 2628 b) 02 Harare 2544 c) 02 Harare

2809 d) 02 Harare 2835

Sensitive but unclassified. Protect accordingly.

¶1. (SBU) Summary: In recent months, the GOZ has seized land owned by American citizens without compensation or due process. In addition, both U.S. oil companies operating in Zimbabwe have voiced concerns to us that the GOZ could at some point in the future nationalize or force sale of their assets. End Summary.

Seizure of Amcit Farms

¶2. (SBU) In two instances documented by the Embassy, Amcits have been dispossessed of land without compensation or due process under the Zimbabwe's fast-track land reform. These include:

a) Brechin A owned by Douglas M. Parham through Brechin Estates Ltd, seized in June 2002, and

b) Mali Ranch owned by William H. Taylor through Emblehope, seized in July 2002.

We are in the process of investigating three other claims where the GOZ has has allegedly expropriated, or expressed intent to expropriate, Amcit farms. The GOZ has not responded to our protests through diplomatic channels. When Ambassador Sullivan subsequently raised these cases on November 20, MFA Division Director for Europe and Americas Joey Bihma referred to a cabinet-level decision to delist properties of foreign investors and promised a more definitive response (ref a). We have received no further response.

Perceived Threat to U.S. Oil Companies

¶3. (SBU) We submit the following information as a heads-up, since it does not at this time qualify in any form as expropriation. Local representatives of both Mobil (ExxonMobil) and Caltex (ChevronTexaco) have called on us separately in recent months to express concern that the GOZ could seize or force sale of their fuel distribution networks (ref b). Should this worst-case scenario come to pass, both companies indicated they might ask the USG to protest the action. The sale of fuel, which the GOZ subsidizes by over 90 percent, has become an increasingly explosive issue in this collapsing economy (ref c-d). As a means of easing an enormous foreign exchange burden, the GOZ has been trying unsuccessfully to boost the value of its fledging currency in open markets. With the GOZ coming under increasing heat for fuel shortages, President Mugabe has at times blamed foreign distributors (as well the GOZ's own national oil company and several banks). Press reports have suggested the GOZ could trade national or foreign facilities for Libyan fuel. Reportedly, Libya has little use for vast sums of Zimdollars it has acquired in past deals. On the other hand, forcing foreign firms to sell assets to local operators rather than Tamoil would be in line with the GOZ's goal of "idigenizing" the economy.

¶4. (SBU) At present, foreign oil companies control 93 percent of Zimbabwe's distribution capacity. Their 426 service stations are significantly more efficient than the 47 locally-owned stations. Given the depreciated value of their Zimbabwe operations, foreign firms would lose investments in the tens of millions if forced to sell at this time.

Comment

¶5. (SBU) Post will continue to press for a more definitive answer to our protests and keep Washington

appraised of actual and potential expropriations of U.S. assets.

Sullivan